Government of Saskatchewan

2006 - 2007 Annual Report

Public Employees Pension Plan

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This annual report is available in electronic format at **www.peba.gov.sk.ca/pepphome.htm**

Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Pension Plan for the fiscal year ended March 31, 2007.

Pat Atkinson

Pat Atkinson
Minister of Finance

The Honourable Pat Atkinson
Minister of Finance

Madam:

On behalf of the Public Employees Pension Board, I have the honour of submitting the Annual Report of the Public Employees Pension Plan for the fiscal year ended March 31, 2007.

Kenneth R. Horsman

Kenneth R. Horsman
Board Chair

Chair's Comments

On behalf of all members of the Public Employees Pension Board (the Board), I present the 2006–2007 Annual Report of the Public Employees Pension Plan (PEPP).

The Board directs its efforts to govern the Plan effectively by focusing on the establishment of the right structures, policies and strategies. A Strategic Plan for PEPP sets out initiatives and activities in the categories of Communications, Plan Governance, Accountability and Service Design and Delivery. This report details our activities and accomplishments in each of these categories for 2006-2007.

Through a member survey, the Board had solicited input from members to determine their satisfaction with existing services and whether communication needs and expectations were being met. The Board continues to direct its efforts to fulfill initiatives identified by members in their feedback.

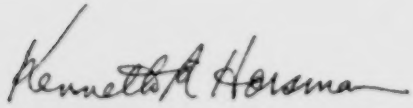
Survey respondents had expressed a strong interest in the development of other retirement income options. On May 1, 2006, the Board responded with the introduction of the Variable Pension (VP) Benefit as an option for retiring members. This new major initiative from the Board is modeled on the prescribed Registered Retirement Income Fund (pRRIF) and offers members control of the annual income they receive. I am pleased to report 241 members have availed themselves of this exciting new option.

Members were interested in seeing the Plan provide greater online access to obtain personal pension plan information and to do transactions online. Members had also expressed interest in an online planning tool. The Board worked to introduce PEPP *Access* online services in 2006. The project was not completed within the fiscal year though much of the necessary groundwork was finished. Introduction is now planned for 2007 – 2008. The *Retire@Ease* retirement planning tool will be introduced concurrently with PEPP *Access* in 2007-2008.

Expanded Investment Choice for members is planned for 2007–2008. This initiative is the major communications and planning focus for PEPP. Members will have seven investment fund choices to consider rather than the current two investment funds. Investment Choice affects every member. These initiatives position PEPP to better meet members' needs.

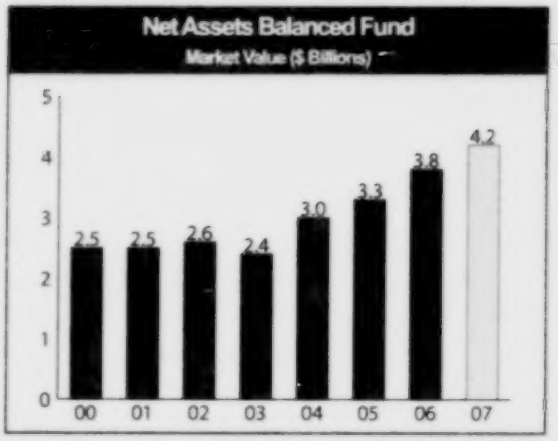
I am also pleased to report that at the same time as these new programs are improving services to Plan members, the Board's 2006–2007 investment strategy effectively balanced risk and return to provide members invested in the Balanced Fund a 12.0% gross rate of return. Further, the Short-term Bond Fund continued to preserve members' capital with at 4.6% gross rate of return.

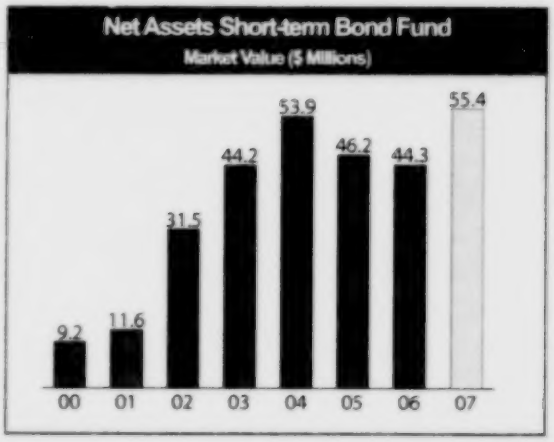
I can report that the investment and administration fees for 2006–2007 were 0.360% of average net assets for the Balanced Fund and 0.270% of average net assets for the Short-term Bond Fund.



Kenneth R. Horsman
Board Chair

Financial Highlights (as at March 31, 2007)





Fund Performance (before fees)

Annualized Returns (%)

Annualized	1 Year	2 Year	3 year	4 Year	5 Year	10 Year
Balanced Fund	12.0	13.1	11.4	14.7	8.9	9.5
Benchmark	10.4	12.8	10.6	14.4	8.3	8.4
Short-term Bond Fund	4.6	3.4	3.3	4.4	4.9	n/a
Benchmark	4.5	3.3	3.1	4.3	4.8	n/a

Annual Returns (%)

Annualized	2007	2006	2005	2004	2003	2002	2001
Balanced Fund	12.0	14.2	8.1	25.3	-11.5	5.9	-0.2
Benchmark	10.4	15.2	6.5	26.2	-12.7	3.6	-5.0
Short-term Bond Fund	4.6	2.2	3.0	7.9	6.8	5.1	8.3
Benchmark	4.5	2.2	2.7	7.8	6.9	5.6	8.8

Investment and Administration Costs

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Balanced Fund Fees ($ Thousands)	14,404	10,343	9,124	8,090	5,851	5,830	5,528
Fees (%)	0.360	0.293	0.289	0.300	0.234	0.229	0.223
Short-term Bond Fund Fees ($ Thousands)	132	113	122	102	70	44	34
Fees (%)	0.270	0.249	0.244	0.208	0.185	0.204	0.326

Introduction

The Public Employees Pension Plan (the Plan or PEPP) is established and governed by *The Public Employees Pension Plan Act*. It is registered as a pension plan pursuant to *The Pension Benefits Act, 1992* and the *Income Tax Act* (Canada).

PEPP is a defined contribution pension plan also referred to as a money purchase plan. Benefits are based on accumulated employer and employee contributions plus investment earnings. These contributions, plus any return on investment, are used to provide an income to members upon retirement.

A defined contribution pension plan is, by definition, always sufficiently funded because the benefits that are due to a member are only determined at the time that the member qualifies for a pension. The benefits are based exclusively on the total amount credited to the member at that time.

PEPP has more than 100 participating employers and over 45,000 members. Participating employers include the Government of Saskatchewan, Crown corporations, agencies, boards and other public institutions.

Enrolment in the Plan is compulsory for employees who hold a permanent position with an employer participating in the plan. Non-permanent employees may choose to join the Plan at any time.

The employee and employer contribution is a percentage of the employee's total gross regular earnings. Unless otherwise specified in an agreement, the contribution percentage is 5%. These contributions are deducted from the employee's salary.

Contributions to PEPP are tax deductible to a maximum set by the *Income Tax Act* (Canada). No tax is paid on member contributions, contributions made by the employer or the accumulated investment income until the funds are withdrawn from the Plan.

All contributions are forwarded to the Plan and are used to purchase units in one or more of the investment funds of PEPP.

Valuations are daily. Once a new unit value is declared, member accounts are valued using the new unit value. Transactions are processed at the new unit value.

The amount received at payout or transfer is calculated using the unit value in effect at the date of payment. Return on investment is reflected in the changing unit value.

Normal retirement for Plan members is age 65. Members may retire early and begin to receive retirement income at age 50 or older.

Members may retire and delay (defer) purchasing a retirement income product. The *Income Tax Act* (Canada) states that a pension must begin by the end of the calendar year a member turns age 69.

Public Employees Pension Board

The Public Employees Pension Plan Act establishes The Public Employees Pension Board (the Board) as the Plan Trustee.

The Board has the fiduciary duty to administer the Plan and manage the investment fund in the best interests of plan members and their beneficiaries. The Board must exercise appropriate care, skill and diligence.

Plan administration and investment matters that typically fall within the fiduciary obligations for the administration and operation of the Plan include: investment of plan assets (this includes developing and implementing an appropriate investment policy), calculation and payment of benefit payments, remittance of contributions, appropriate communications to plan members and compliance with applicable law and the terms of the Plan.

This duty is vested in a nine-member board, four of whom are appointed on behalf of participating employers. The other four are appointed on behalf of employees. The Chair is chosen and appointed by the members of the Board for a three-year term through an external recruitment process.

Members of the Board are not compensated for performance of their roles as Board members. They are remunerated for reasonable expenses for attending Board meetings and other functions in their capacity as Board members.

The Chair is remunerated with a retainer and a per meeting fee paid in accordance with a fee schedule set by the Board. The fee schedule is reviewed from time to time by the Board.

Introduction

Purpose

The purpose of the Public Employees Pension Plan is to provide retirement assets to its members.

Mission

The Board's mission as the Plan Trustee is to manage the fund assets and plan expenses solely in the best interest of the members.

Goals

The Board's goal is to ensure all Plan members are well-informed about the Plan and the choices they have to make within the Plan.

Public Employees Pension Board Members at March 31, 2007

Name	Position	Appointing Body
Kenneth R. Horsman	Chair	Public Employees Pension Board
Grant Ring	Vice-Chair	SaskEnergy, SaskPower, SaskTel
Pat Field	Member	Communications, Energy and Paperworkers Union
Michael Friebe	Member	Canadian Union of Public Employees Local 600
Derrick Goulet	Member	International Brotherhood of Electrical Workers Union Local 2067
Dan MacKay	Member	Saskatchewan Government and General Employees' Union
Denise Macza	Member	Public Service Commission
William (Bill) Marr	Member	Saskatchewan Institute of Applied Science and Technology, Saskatchewan Liquor and Gaming Authority
Cathy Uhersky	Member	Saskatchewan Crop Insurance Corporation, Workers' Compensation Board, Saskatchewan Cancer Foundation

Also serving in 2006-2007: Dennis Karakochuk and Kirby Sanden

Table 1.0

Investments

Overview

One of the critical aspects of the Plan is the investment of the Plan assets. To facilitate this, the Board has adopted a Statement of Investment Policies and Goals (SIP&G) for the Balanced Fund and the Short-term Bond Fund. These policies, which can be found on the PEBA website under PEPP, outline:

- Investment and Risk Philosophy
- Asset Mix and Diversification Policy
- Permitted and Prohibited Investments
- Monitoring and Controls
- Selecting and Terminating Investment Managers
- Rate of Return Benchmarks for each fund
- Rate of Return Benchmarks for each investment manager by asset class
- Conflict of Interest Guidelines

These policies guide the Board in carrying out their duties as it pertains to investment of the Plan assets for both funds.

This section outlines some of the investment highlights for the two investment options available to Plan members, the Balanced Fund and the Short-term Bond Fund.

The rates of return used in outlining investment highlights exclude fees. This allows for a valid comparison to benchmarks.

Balanced Fund

The goal of the Balanced Fund is to provide long-term growth. To accomplish this, the Board, in consultation with its investment consultant, Hewitt Associates (formerly James P. Marshall, a Hewitt Company), set the SIP&G for the Balanced Fund to include a mix of equities, bonds, real estate, mortgages and short-term investments.

Overall, the Balanced Fund provided a return of 12.0% for the year ending March 31, 2007, which outperformed the benchmark by 1.6 percentage points. Over the past four years, the Balanced Fund provided a return of 14.7% which outperformed the benchmark by 0.3 percentage points.

Balanced Fund Investment Performance

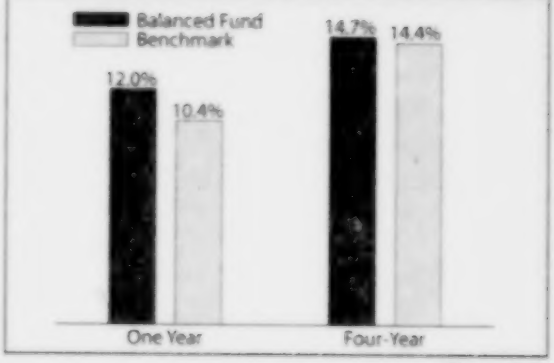
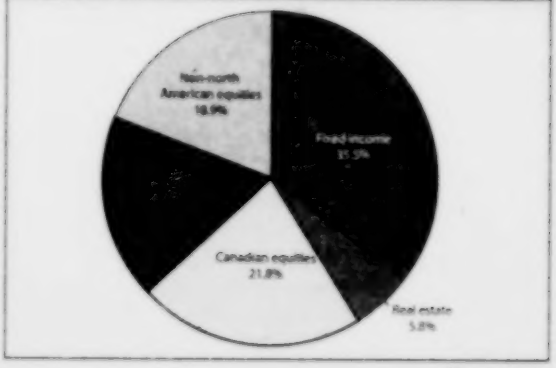


Figure 1.0

The market value of the assets of the Balanced Fund at March 31, 2007 was $4,209,689,000. *Figure 1.1* shows the asset mix for the Balanced Fund.

Balanced Fund Asset Mix



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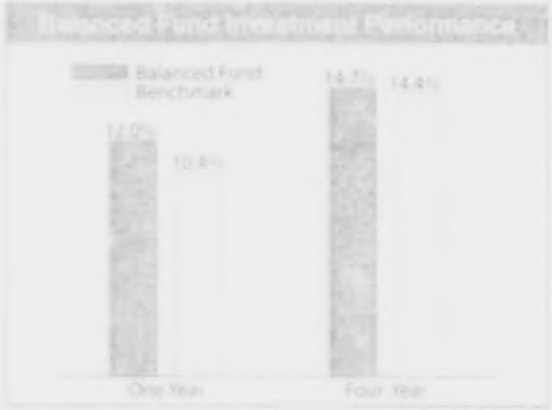

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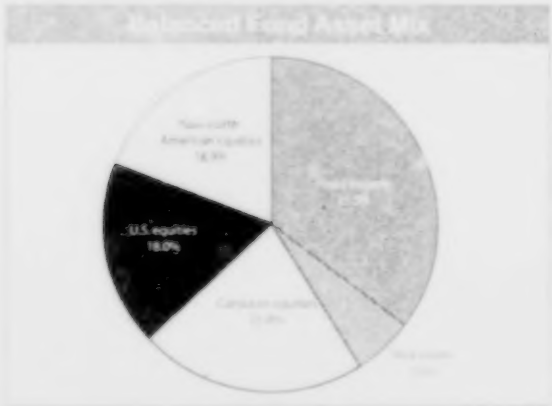

Figure 1.1

Investments

The primary long-term investment performance objective for the Balanced Fund portfolio is to outperform over a four-year period a benchmark portfolio constructed as described in *Table 1.1*.

Balanced Fund Benchmarks by Asset Class

Asset Class	Class Market Index	Minimum Investment	Benchmark Investment	Maximum Investment
Canadian equities	S&P/TSX CPMS Cap 10 & S&P/TSX Composite Index	10.0%	**15.0%**	20.0%
Canadian small cap equities	Nesbitt Burns Small Cap Index	3.0%	**5.0%**	7.0%
US equities	Standard and Poor's 500 Index	10.0%	**15.0%**	20.0%
US mid cap equities	Standard and Poor's 400 Index	3.0%	**5.0%**	7.0%
Non-North American equities	Morgan Stanley, Europe Australia and Far East Index	16.0%	**20.0%**	24.0%
Canadian bonds	SC Universe Bond Index	27.0%	**35.0%**	43.0%
Real estate	Investment Property Databank Index	0.0%	**5.0%**	7.0%
Short-term investments	91 Day T-Bills	0.0%	**0.0%**	20%
			100.0%	

Table 1.1

The Board retains seven investment managers to invest the assets of the Balanced Fund. Five of the managers (Greystone Managed Investments Inc., Franklin Templeton Investments Corp., Tweedy, Browne Company LLC, AMI Partners Inc. and Hansberger Global Investors, Inc.) use an "active" investment management style. The objective set for these managers is to out-perform the market index against which their performance is judged. TD Asset Management Inc. is a "passive" manager. Their objective is to match the index return relevant to their mandate. The final manager retained by the Board, Northwater Capital Management Inc., uses a combined approach of active investment management in hedge funds with passive investment management in equity markets. Their objective is to outperform the relevant market index.

Table 1.2 shows the mandates of the various investment managers. *Figure 1.2* shows the investment manager mix of the Balanced Fund.

Balanced Fund Investment Performance

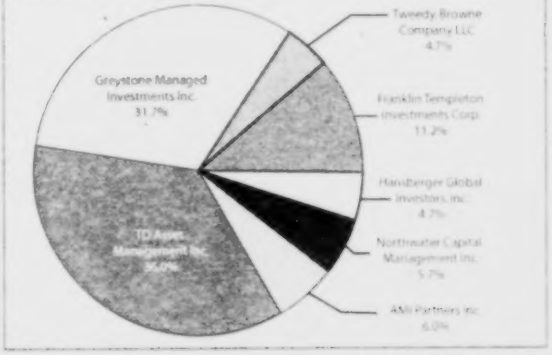

Figure 1.2

Investment Manager Mandates

Investment Manager	Mandate
Greystone Managed Investments Inc.	Canadian equities, US equities, Canadian bonds & real estate
TD Asset Management Inc.	Canadian equities, US equities & Canadian bonds
AMI Partners Inc.	Canadian small cap equities
Northwater Capital Management Inc.	US mid cap equities
Hansberger Global Investors, Inc.	Non-North American equities
Franklin Templeton Investments Corp.	Non-North American equities
Tweedy, Browne Company LLC	Non-North American equities

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Balanced Fund Investment Performance

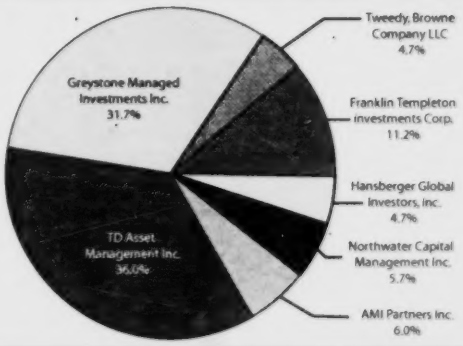
Tweedy, Browne Company LLC 4.7%
Franklin Templeton Investments Corp. 11.2%
Hansberger Global Investors, Inc. 4.7%
Northwater Capital Management Inc. 5.7%
AMI Partners Inc. 6.0%
TD Asset Management Inc. 36.0%
Greystone Managed Investments Inc. 31.7%

Figure 1.2

Investment Manager Mandates

Investment Manager	Mandate
Greystone Managed Investments Inc.	Canadian equities, US equities, Canadian bonds & real estate
TD Asset Management Inc.	Canadian equities, US equities & Canadian bonds
AMI Partners Inc.	Canadian small cap equities
Northwater Capital Management Inc.	US mid cap equities
Hansberger Global Investors, Inc.	Non-North American equities
Franklin Templeton Investments Corp.	Non-North American equities
Tweedy, Browne Company LLC	Non-North American equities

Table 1.2

Investments

Fund Performance

Canadian Equity Managers

Greystone Managed Investments Inc. (Greystone) actively manages Canadian equities and their performance is measured against the S&P/TSX Capped Composite Index - as is shown in *Figure 1.3*.

Greystone returned 17.4% for the year ending March 31, 2007, outperforming the benchmark by 6.0 percentage points. Over the four-year period ending March 31, 2007, Greystone returned 25.2% on an annualized basis, representing an outperform of 2.8 percentage points as compared to the benchmark.

TD Asset Management (TDAM) passively manages Canadian equities and their performance is measured against the S&P/TSX Composite Index. For the year ending March 31, 2007, TDAM provided a return of 11.4% matching the benchmark's return. For the four-year period ending March 31, 2007, TDAM provided an annualized return of 22.3% underperforming the benchmark by 0.1 of a percentage point.

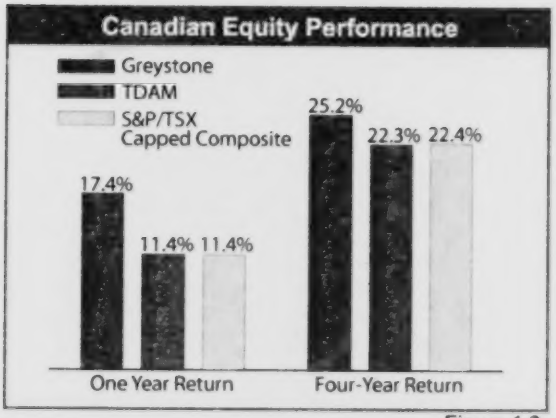

Figure 1.3

Canadian Small Cap Equity Manager

AMI Partners Inc. (AMI) actively manages the small cap Canadian equity portfolio. The benchmark for this portfolio is the Nesbitt Burns Small Cap Index - as is shown in *Figure 1.4*.

For the year ended March 31, 2007, AMI returned 3.4%, underperforming the benchmark performance by 5.6 percentage points. The annualized return for the four-year period ending March 31, 2007 was 18.4% underperforming the benchmark by 8.4 percentage points.

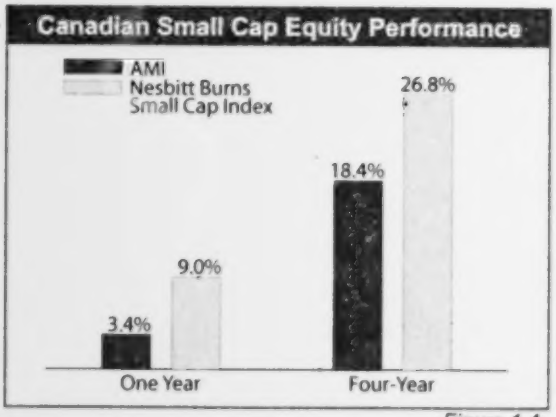

Figure 1.4

Investments

US Large Cap Equity Managers

Greystone actively manages US large cap equities and their performance is measured against the S&P 500 Index ($Cdn) - as is shown in *Figure 1.5*.

Greystone returned 7.1% for the year ended March 31, 2007, underperforming the benchmark by 3.5 percentage points. For the four-year period ended March 31, 2007, Greystone returned 10.9% on an annualized basis, outperforming the benchmark by 1.9 percentage points.

TDAM passively manages US large cap equities and their performance is measured against the S&P 500 Index ($Cdn) - as is shown in *Figure 1.5*.

For the year ending March 31, 2007, TDAM provided a return of 10.4% underperforming the benchmark by 0.2 percentage points. For the four-year period ending March 31, 2007, TDAM provided an annualized return of 8.8% underperforming the benchmark return by 0.2 percentage points.

Figure 1.5

US Mid Cap Equity Manager

Northwater Capital Management Inc. (Northwater), manages US mid cap equities combined with hedge fund investments and their performance is measured against the S&P 400 Hedged Index - as is shown in *Figure 1.6*. Hedge Funds typically invest in derivatives such as options or futures and try to take advantage of inefficiencies in financial markets, such as those due to mergers, currencies and convertible or distressed securities to name a few.

For the year ended March 31, 2007, Northwater provided a return of 9.5% outperforming the benchmark return by 2.3 percentage points. For the four years ended March 31, 2007, Northwater provided an annualized return of 22.8% outperforming the benchmark return by 1.9 percentage points.

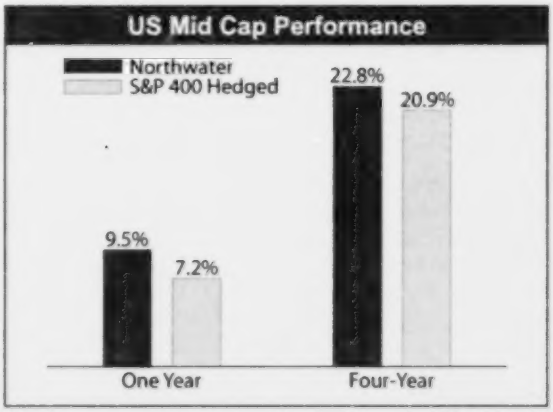

Figure 1.6

Investments

Non-North American Equity Managers

Franklin Templeton Investments Corp. (Templeton) and Hansberger Global Investors, Inc. (Hansberger) actively manage non-North American equities. The performance of each of these managers is measured against the MSCI EAFE Index ($Cdn) as is shown in *Figure 1.7*.

Templeton's return for the year ended March 31, 2007 was 24.4%, outperforming the benchmark by 5.6 percentage points. Over the four-year period ending March 31, 2007 Templeton returned 24.1% on an annualized basis outperforming the benchmark return by 3.4 percentage points.

Hansberger's return for the year ended March 31, 2007 was 19.5%, outperforming the benchmark by 0.7 percentage points. Four-year returns on an annualized basis are not available for Hansberger, because Hansberger has only managed the portfolio since late 2004.

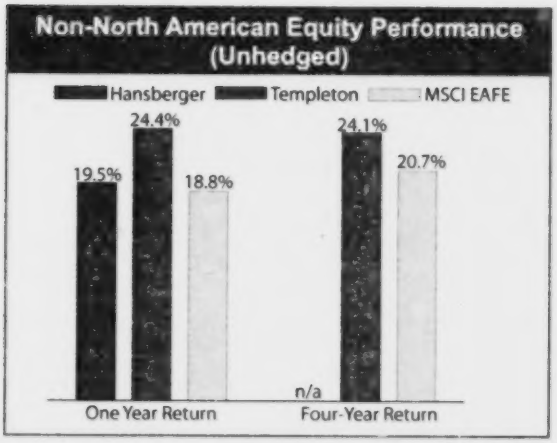

Figure 1.7

Tweedy, Browne Company LLC (Tweedy, Browne) actively manages non-North American equities. Tweedy, Browne also hedges these investments back to the Canadian dollar which means they reduce the impact of currency gains or losses.Their performance is measured against the MSCI EAFE Hedged Index - as is shown in *Figure 1.8*.

Tweedy, Browne's return for the year ended March 31, 2007 was 13.2%, equalling the benchmark return. Four-year returns on an annualized basis are not available for Tweedy, Browne, because Tweedy, Browne has only managed the portfolio since late 2004.

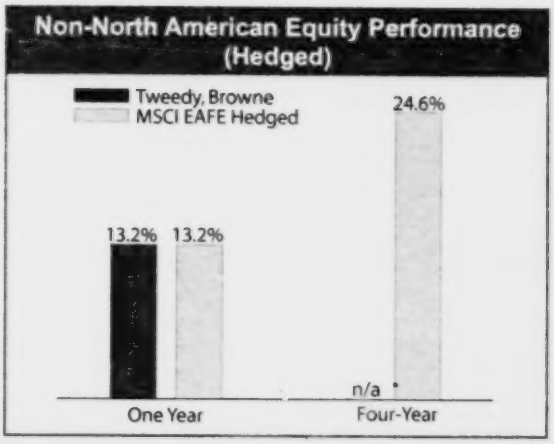

Figure 1.8

Investments

Canadian Bond Managers

The active Canadian Bond portfolio is managed by Greystone and is measured against the Scotia Capital (SC) Universe Bond Index - as shown in *Figure 1.9*.

Greystone's bond portfolio returned 6.2% for the year ended March 31, 2007, outperforming the benchmark return by 0.7 of a percentage point. For the four-year period ended March 31, 2007, Greystone provided an annualized return of 7.0%, outperforming the benchmark by 0.5 of a percentage point.

The passive Canadian Bond portfolio is managed by TDAM and is also measured against the SC Universe Bond Index - as shown in *Figure 1.9*.

TDAM's bond portfolio returned 5.4% for the year ended March 31, 2007, underperforming the benchmark by 0.1 of a percentage point. For the four-year period ended March 31, 2007, TDAM provided an annualized return of 6.4%, underperforming the benchmark by 0.1 of a percentage point.

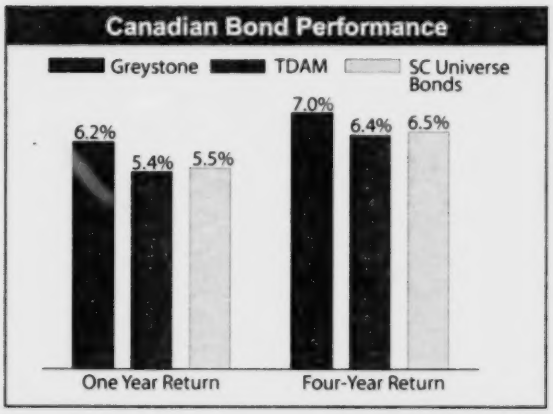

Figure 1.9

Real Estate Manager

Greystone actively manages the real estate portfolio and provided a return of 20.3% for the year ended March 31, 2007. This outperformed the benchmark, the Investment Property Databank, by 2.9 percentage points. For the four-year period ending March 31, 2007, the annualized return for Greystone was 17.4%, outperforming the benchmark by 3.0 percentage points - as shown in *Figure 1.10*.

Figure 1.10

Investment Manager Fees

For the year ended March 31, 2007, the fees paid to the investment managers for the Balanced Fund are shown in *Table 1.3*.

Investment Manager Fees ($ Thousands)	
Greystone Managed Investments Inc.	$2,180
TD Asset Management Inc.	320
Franklin Templeton Investments Corp.	2,147
AMI Partners Partners Inc.	911
Northwater Capital Management Inc.	2,000
Tweedy, Browne Company LLC	1,980
Total	**$9,538**

NOTE: No fees are shown for Hansberger, the sub-advisor to Greystone for their Non-North American equity mandate. The Board pays all fees for this mandate to Greystone, who in turn compensates Hansberger.

Table 1.3

Investments

Short-term Bond Fund

The goal of the Short-term Bond Fund is to provide protection from the volatility of the equity investment markets. To accomplish this, the Board, in consultation with its investment consultant, Hewitt Associates, set the SIP&G for the Short-term Bond Fund. The policy allows investment in government and corporate-issued bonds (as shown in *Figure 1.11*) with a term to maturity of five years or less.

The primary long-term investment performance objective for the portfolio is to outperform a benchmark portfolio constructed as described in *Table 1.4*.

The Short-term Bond Fund, managed by Greystone, is now measured against the Scotia Capital (SC) Short-term (All Government) Bond Index - as is shown in *Figure 1.12*.

The Short-term Bond Fund provided a return of 4.6% for the year ended March 31, 2007, which outperformed the combined benchmark by 0.1 of a percentage point. For the four-year period ended March 31, 2007, the Short-term Bond Fund provided an annualized return of 4.4%, outperforming the benchmark return by 0.1 of a percentage point.

The market value of the Short-term Bond Fund was $55,411,000 as at March 31, 2007.

The Board retained Greystone to manage the assets of the Short-term Bond Fund and paid $35,000 in investment manager fees.

Short-term Bond Fund Asset Mix

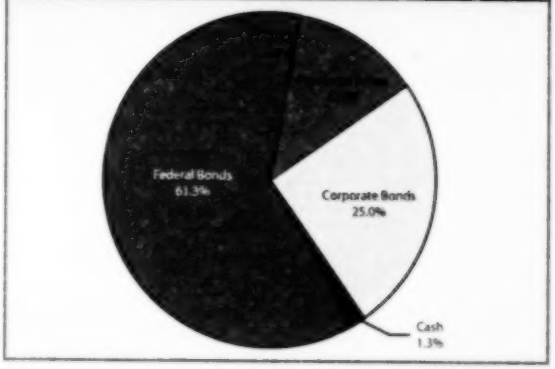

Figure 1.11

Short-term Bond Fund Investment Performance

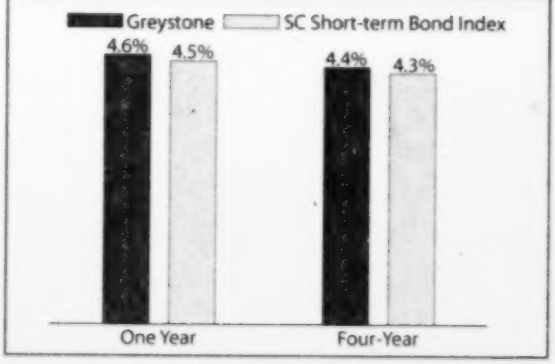

Figure 1.12

Short-term Bond Fund Benchmarks by Asset Class

Asset Class	Class Market Index	Minimum Investment (%)	Benchmark Investment (%)	Maximum Investment (%)
Bonds	Scotia Capital Short-term Bond Index	90.0	**100.0**	100.0
Short-term Investments	91 Day Treasury Bills	0.0	**0.0**	10.0
			100.0	

Table 1.4

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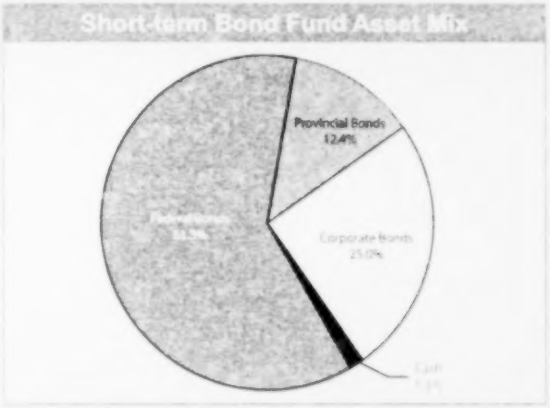
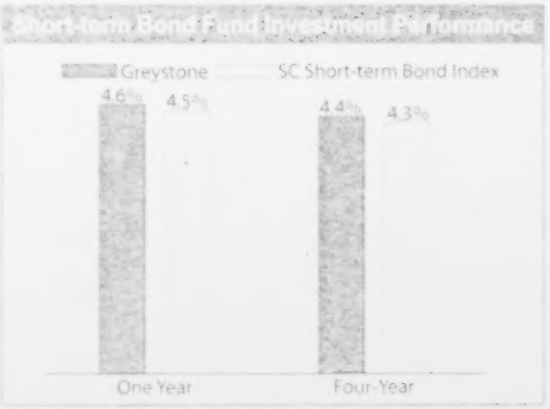


Figure 1.11



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			100.0	

Table 1.4

Investments

Monitoring Investment Performance

The Board retains Hewitt Associates to assist in the evaluation of the performance of the investment funds and the investment managers. Hewitt Associates measures the performance and reports to the Board. In addition to performance measurement, Hewitt Associates provides research and analysis to the Board regarding financial markets, investment managers and market trends. Hewitt Associates was paid $98,820 in fees for the year ended March 31, 2007.

Custody

The Board retains RBC Dexia Investor Services, formerly RBC Global Services, as the custodian of the Plan. The custodian is responsible for custody of all financial assets of the Plan (in the name of PEPP) and settles all investment transactions and ensures all investment income (dividends, interest) is collected. The custodian also reports all investment transactions and conducts valuation for the Plan. The custodian was paid $554,000 for the year ended March 31, 2007.

Plan Administration

The Board has delegated the day-to-day administration of the Plan and management of its assets to the Public Employees Benefits Agency (PEBA). The cost for this is charged to the fund.

PEBA is a branch of the Department of Finance. PEBA administers a wide range of pension and benefit plans.

Under contract with the Board, PEBA provides all services required to operate, administer and manage the Plan in a manner consistent with and according to all statutory provisions and regulations that apply to the Plan. To administer the Plan, PEBA:

- Maintains all member and accounting records;
- Collects and deposits contributions to the Fund;
- Transfers contributions to the custodian of the Fund for investment;
- Determines all questions of coverage, eligibility and methods of providing or arranging for the provision of benefits;
- Calculates and pays all pension benefits;
- Communicates to members and participating employers; and
- Prepares the annual report.

PEBA also provides Senior Executive Officer services and Executive Secretary services to the Board.

In 2006-2007, the Board paid PEBA $4,409,000 for administrative services.

Distribution of Membership by Age

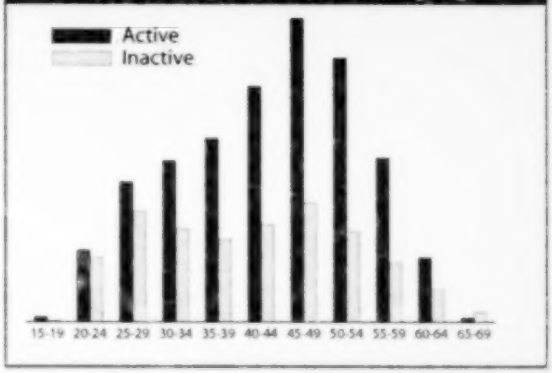

Figure 1.13

Membership Distribution

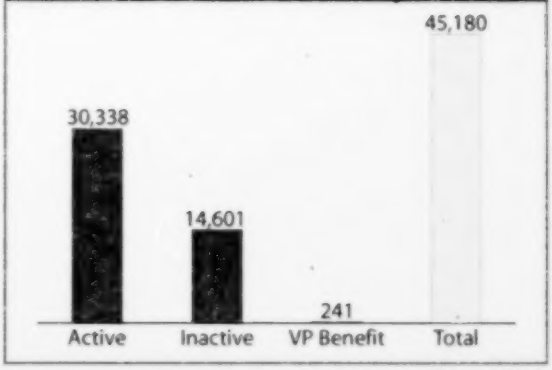

Figure 1.14

Membership Activity

Membership at March 31, 2006	**43,210**
Add:	
Variable Pension (VP) Benefit enrolment	241
Enrolment during year	2,670
Less:	
Members exiting	941
Membership at March 31, 2007	**45,180**

Plan Administration

PEBA reports measurement against standards to the Board quarterly. *Table 1.5* provides measurement results for the 2006 -2007 year.

PEBA Performance Results for the period April 1, 2006 to March 31, 2007

Task	Number Completed	Number that Meet or Exceed Standard	% that Meet or Exceed Standard	Standard (Days)
Contribution Processing	2,165	2,130	98.4	3
Inter-fund Transfers/Investment Direction Change	285	278	97.5	1
Enrolments/Re-enrolments	2,353	2,166	92.1	3
Termination Payments	1,135	1,041	91.7	5
Retirement Payments	968	852	88.0	5
Death Payments	50	49	98.0	5
Termination Option Letter	2,585	2,281	88.2	5
Retirement Option Letter	137	124	90.5	5
Death Option Letter	9	9	100.0	5
Marriage Breakdown Estimates	32	20	62.5	5
Variable Pension (VP) Benefit Estimates	615	577	93.8	5
Annuity Estimates	224	194	86.6	5
Totals	**10,558**	**9,721**	**92.1**	

Table 1.5

Strategic Initiatives

The Board is in the first year of a three-year strategic plan that runs to 2008-2009.

The Board's strategic plan is focused on continuously improving the delivery of the Plan to its members and other stakeholders (beneficiaries, the Plan's participating employers and bargaining agents).

The Board believes it is in the best position to govern the Plan effectively in the long run by focusing on the establishment of the right structures, policies and strategies. The Board works to effectively monitor the work of the delegates mandated with carrying out initiatives and activities to ensure the members' needs are well provided for.

The strategic plan sets out initiatives and activities for the planning period in four major categories:

1. **Communications**:

   Plan members should have access to information and tools that support them in making decisions within the Plan.

2. **Plan Governance**:

   The Board maintains a position of leadership and continues to develop and follow governance best practices.

3. **Accountability**:

   The Board measures and manages overall plan performance and the performance of key delegates.

4. **Service Delivery and Design**:

   Plan members have access to and use the services offered through the Plan and consider those services to meet their needs.

1. Communications

Plan members and beneficiaries have a right to know how their contributions are spent and invested. Members must have opportunity to express their opinions and desires about how the Plan itself should be run.

The Plan allows members to exercise choice over the way in which funds are invested and over the type of retirement income vehicle. If choice is to be meaningful, members must be provided with clear, comprehensive information and tools that support them in making informed decisions within the Plan.

The Board recognizes that it needs a communications strategy that supports the Plan members' needs and the Board's strategic objectives. The Board must facilitate two-way communication with Plan stakeholders to gather their feedback.

The Board has approved the phased implementation of a communications plan and is monitoring its progress quarterly. The Board communicates with members and beneficiaries through newsletters, member statements, the PEPP website, surveys, presentations, meetings, telephone discussions, correspondence and the annual report.

Strategic Initiatives

Communications Activities

Activities planned for 2006 – 2007

- In 2006-2007, the Board will conduct the first annual assessment of progress made since implementing the communications plan in 2004. An assessment will be carried out building on the analysis and actions arising from the 2004 Watson Wyatt Worldwide communications audit. The assessment will determine if PEPP communications materials now better meet needs and support objectives. The assessment will consider measures taken to improve readability, tone, and clarity of messages, and image and visual aspects.
- Commence development of decision-making tools and inform membership of their availability.
- Conduct member information sessions.
- Develop methods and procedures for collection of Plan member feedback on communications activities.

Activities accomplished in 2006 – 2007

- In 2006, PEBA contracted with Watson Wyatt Worldwide on two phases of a communication audit project. The first phase was to conduct a third-party evaluation of PEPP progress on executing the communication strategy.

  This first phase evaluated PEPP communication against three criteria including: stated PEPP communication objectives, effective communication principles, and compliance with *The Public Employees Pension Plan Act* and *Regulations* and the Guidelines for Capital Accumulation Plans.

  The evaluation showed good progress on achieving objectives. Communications include comprehensive detail on how the Plan works. That detail is easy to understand; the information is widely available. Creation of a PEBA Style Guide that was posted to the intranet promoted excellent writing. There is careful consideration of the needs of the audience.

  While good progress was demonstrated, the evaluation found there is still work to do to improve communication effectiveness. In 2007-2008 PEBA will work to address recommendations coming from the audit.

  In the second phase of the audit, Watson Wyatt assisted in developing methods and procedures for collection of Plan member feedback on communications delivery activities, selected service events and information and decision-making tools.

- In 2006-2007, PEBA facilitated 29 Retirement Workshop (Shooting for the Green) presentations (1-day sessions on retirement planning).

  Evaluation and feedback from these sessions indicated: 88% of the participants rated the overall presentation as very good to excellent. Comments were tabulated for review in making future changes to the workshop.

- During the year, PEBA handled over 28,000 calls from members and employers and responded to nearly 1,900 inquiries via the PEPP Inquiry e-mail.

- PEBA prepared communications materials to support the introduction of PEPP *Access* member web and *Retire@Ease* planning tool online services. The communications materials included a folder containing an introduction to PEPP *Access* and *Retire@Ease*, a brochure describing PEPP *Access*, a one page description of *Retire@Ease*, a brochure on how to use *Retire@Ease* and a Question and Answer page on *Retire@Ease*. The website will accommodate the online services information as well.

Strategic Initiatives

A user survey was designed for the website to solicit Plan member feedback for *Retire@Ease*.

- In 2006-2007, work began on the comprehensive Investment Choice communications.

  A presentation was designed for PEPP members attending Investment Choice introductory meetings.

  Investment Choice presentations began in March 2007. The presentations were designed to:

  - introduce the new funds;
  - explain the responsibility of the member; and
  - provide information on risk, return and volatility.

  At the presentations, members received:

  - an Information Summary document that details each of the new investment funds, and
  - a PEPP Member Investor Profile to help measure risk tolerance and identify an investment style.

  Work commenced on creation of an Investment Choice print package. This critical piece of Investment Choice communication will be focus tested for input from the membership level.

- The 2006 Member Statement, which is now published semi-annually, was redesigned to include the member's account balance in dollars, number of units and a transaction summary of their account activity. The statements were mailed in July and November 2006.

- A new Member Guide was created in 2007 to assist in explaining the introduction of investment funds on the redesigned statement.

- The *Year in Review* provides annual reporting in a summary form and is posted to our website. The 2005-2006 edition was the second *Year in Review* produced by PEPP.

- Employer information bulletins are sent by e-mail to employers on a monthly timetable. During the year, these bulletins summarized activities supporting the introduction of the PEPP *Access* member web and *Retire@Ease*, informed employers about plans for the comprehensive communications for Investment Choice and addressed the employer role in administration, especially in member enrolment and termination.

- A section was created on the PEPP website to house *VP Benefit* information including supporting information and enrolment forms.

Activities planned for 2007 – 2008

- Continue to inform members of decision-making tools available to them.

- Conduct member information sessions in accordance with goals established in the annual budgeting process.

- Develop and implement methods of obtaining Plan member feedback on communication activities.

Strategic Initiatives

2. Plan Governance

Pension plan governance refers to the roles and responsibilities of the Board and its delegates in respect of a pension plan to fulfill their fiduciary obligations.

The overriding objectives of Plan governance are to protect the interests of Plan members and, in particular, to ensure that the Plan will be able to pay the appropriate benefits when the pensions become due. Good governance requires appropriate control mechanisms that encourage good decision-making, proper and timely execution, and regular review and assessment.

The Board has invested considerable effort in recent years in developing its governance practices and policies. The Board will continue to implement and maintain its governance program, including regular strategic planning, risk assessment and performance management.

The Board has adopted the following governance principles using the guidelines established by the Canadian Association of Pension Supervisory Authorities (CAPSA):

- The Board has a fiduciary responsibility to Plan members;
- Governance objectives are established for the oversight, management and administration of the Plan;
- The roles, responsibilities and accountabilities of all participants are clearly described and documented;
- Performance measures are established, monitored and reported;
- Plan administrators have the duty to apply the knowledge and skills needed to meet governance responsibilities;
- Plan administrators should have access to relevant, timely and accurate information;
- Establish an internal control framework to address the Plan's risks;
- Establish appropriate mechanisms to oversee and ensure compliance with legislative requirements, pension plan documents and administrative policies;
- Communicate the governance process to Plan members, beneficiaries and other stakeholders to facilitate transparency and accountability;
- Establish a code of conduct and a policy to deal with conflicts of interest; and
- Conduct a regular review of plan governance.

In developing its governance principles:

- The Board's Governance Manual includes a listing of the Board's generic fiduciary responsibilities;
- The Board has a statement of mission and goals;
- The Governance Manual identifies the roles and responsibilities of the Board and identifies the delegation of the Board's roles and responsibilities;
- The Board has established clear measures for assessing the performance of all participants in the governance process who have decision-making authority;
- The Board has established an ongoing process to identify the knowledge and skills needed for the effective governance of the pension plan;
- The contracts with the Board's service providers contain reporting requirements;

Strategic Initiatives

- The Board has gone through a formal risk assessment process and has identified key risks;
- The Board has a mechanism to ensure compliance with legislative requirements and pension plan documents and administrative policies;
- The Board has provided an explanation to plan members and beneficiaries of the process that will be used to address their questions and complaints;
- The Board has a conflict of interest policy to deal with actual or perceived conflicts of interest and those of delegates; and
- The Governance Manual provides for an annual review of the Board's performance, the Chair's performance and Plan governance.

Plan Governance Activities

Activities planned for 2006 – 2007

- Perform annual internal review of Plan's compliance with Capital Accumulation Plan (CAP) Guidelines.
- Performance reviews of service providers are to be reported to the Board.
- Policy development and progress reporting.

Activities accomplished in 2006 – 2007

- The Board conducted a review of the Plan's compliance with CAP Guidelines. With the introduction of additional investment choice in 2007-2008, the Plan will be in full compliance with the guidelines.
- Performance reviews of Hewitt Associates, RBC Dexia Investor Services and the Plan's auditor, Meyers Norris Penny (MNP) were provided to the Board.
- The following policies were developed and approved: amendments to the 1. Board's Code of Conduct and Conflict of Interest Procedures and 2. Charter of Expectations with regard to Board member compliance with the law; inter-fund transfers; suspension of transactions.
- The Board conducted a governance self-assessment with the Canadian Association of Pension Supervisory Authorities' (CAPSA) Pension Plan Governance Guidelines. The self-assessment identified the following areas for development:
  - Development of performance measures for communications; and
  - The development of rules and procedures for receiving, reviewing and acting on information and reports.
- The Board communicated the mission statement to PEPP members in the May 2006 issue of *Pension Perspectives*. The mission statement is also posted on the PEPP website.
- The Board reviewed progress on the Strategic Initiatives and Implementation Plan activities for the 2006-2007 Plan year.
- The Board received quarterly reports on PEBA performance with regard to its administrative responsibilities for the Plan.
- The Board continued its education programs to enhance Board members qualifications and knowledge in managing the Plan with an orientation program for new Board members, an on-going developmental program and continuing education program (refer to *Table 1.6* on page 23).
- MNP completed the audit of PEBA compliance with its service agreement with the Board.

Strategic Initiatives

- Hewitt Associates reviewed the information that is being provided to the Board. Their report indicated the Board is receiving the appropriate information.
- The Board reviewed 2005-2006 Risk Management Activity and approved the 2006-2007 Risk Management Plan.
- A Periodic Checklist was developed several years ago to guide the Board in the orderly discharge of its responsibilities. The Periodic Checklist is a tool used to inform the Board of progress on key plan activities that PEBA and other service providers are required to carry out over the course of each plan year.

  The Board reviewed the Interim Periodic Checklist for the Plan for the first six months of 2006-2007.
- The Board published the results of its governance self-assessment on the PEPP website in 2006-2007.
- Members were informed of the method of contacting PEPP with questions or concerns in every article of communication that was distributed to members.
- The Board adopted amendments to the Board's Code of Conduct and Conflict of Interest Procedures and Charter of Expectations with regard to Board member compliance with the law.

Activities planned for 2007 – 2008

- Perform CAPSA self-assessment for current year.
- Perform annual internal review of Plan's compliance with CAP guidelines.
- Report performance reviews of delegates to the Board.
- Develop policy and report progress.
- Third-party review of CAP guidelines compliance.
- Retain third-party assistance in the review and assessment of governance structure.

Strategic Initiatives

Seminars, Courses and Other Events Attended by Board Members in 2006 – 2007

Board Member	Education Events Attended	Registration Fees (Total)
Pat Field	• National Conference (CPBI[1]) • Annual Pension Information Session (PEBA) • Cents and Sensibilities Conference (CPBI) • Franklin Templeton Institutional Client Conference	$1,935
Michael Friebe	• Spring Seminar and Annual General Meeting (CPBI) • National Conference (CPBI) • Annual Pension Information Session (PEBA) • New Solvency Regulations? Pension Legislation Update (CPBI) • Essential Skills for Pension Committee Members (Federated Press) • Advanced Trustee Development Program (Humber College)	$2,648
Derrick Goulet	• SHARE[2] Pension Investment and Governance • Investment Basics (Hewitt Associates)	$510
Kenneth R. Horsman	• Annual Pension Information Session (PEBA) • Essential Skills for Pension Committee Members (Federated Press)	$1,526
Dennis Karakochuk*	• National Conference (CPBI)	$1,140
Dan MacKay	• National Conference (CPBI) • Annual Pension Information Session (PEBA) • Franklin Templeton Institutional Client Conference	$1,140
Denise Macza	• National Conference (CPBI) • Annual Pension Information Session (PEBA) • Advanced Trustee Management Standards Part II (International Foundation)	$2,624
William (Bill) Marr	• Annual Pension Information Session (PEBA) • Franklin Templeton Institutional Client Conference • Everything You Wanted to Know About CPP & OAS But Were Afraid to Ask (CPBI)	$40
Grant Ring	• Annual Pension Information Session (PEBA) • Essential Skills for Pension Committee Members (October) (Federated Press) • Essential Skills for Pension Committee Members (December) (Federated Press) • Advanced Trustee Development Program (Humber College)	$1,150
Cathy Uhersky	• Advanced Trustee Development Program (Humber College) • Investment Basics (Hewitt Associates)	$1,150

[1]Canadian Pension and Benefits Institute
[2]Shareholder Association for Research and Education
*Served on Board for part of 2006 – 2007

This table is referenced under Plan Governance on page 21.

Table 1.6

Strategic Initiatives

3. Accountability

Effective plan management requires a strong focus on accountability. The Board holds the ultimate responsibility for stewardship of the Plan. The structure of the Board and the process for appointing its members ensures that Board members are able to operate independently.

The basis of accountability is the establishment of measurable objectives and the monitoring of progress against these objectives. To this end, the Board measures and manages overall plan performance and the performance of key delegates.

Under the administration agreement, the Board has delegated to PEBA the responsibility for the day-to-day operations required to administer the Plan and manage its assets.

Over the past few years, the Board has made considerable progress with respect to this strategic initiative, including:

- Establishing service standards with PEBA.
- Identifying key performance indicators.
- Developing a strategic plan.
- Conducting Board member self-assessment.

Accountability Activities

Activities planned for 2006 – 2007

- Develop framework and reporting mechanisms for evaluation of key plan activities.
- Report on performance objectives and benchmarks specified in the Statement of Investment Policies and Goals (SIP&G).
- Ensure audit of the Plan is carried out in a timely manner.

Activities accomplished in 2006 – 2007

- As part of the Board's Strategic Business Plan, the Board approved the development of a Balanced Score Card.
- The development of the framework and reporting mechanisms for evaluation of key plan activities took place in 2006-2007.

  The Board identified member engagement, financial management and governance as key elements of the balanced score card for the evaluation of key plan activities. The Board also identified measures for these elements.
- The Board received quarterly reports from the custodian and its investment consultant regarding investment manager compliance with its SIP&G.
- The Board approved the SIP&G for additional Investment Choice.
- The Plan's auditor, MNP, working with the Provincial Auditor, formed the following audit opinions for the year ended March 31, 2006:
  - PEPP financial statements are reliable;
  - PEPP had adequate rules and procedures to safeguard public resources and ensure compliance with authorities except as reported in the Provincial Auditor's 2006 Report (Volume 3 Chapter 15 - Finance); and
  - PEPP complied with authorities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing activities.

Strategic Initiatives

- The Provincial Auditor reviewed the format of the 2005-2006 Annual Report in relation to Canadian Comprehensive Auditing Foundation (CCAF) standards.
- The Board approved the audit plan presented by MNP for the March 31, 2007 year end.

Activities planned for 2007 – 2008

- Phased-in implementation of framework and reporting mechanisms for evaluation of key plan activities.
- Report on performance objectives and benchmarks specified in the SIP&Gs.
- Facilitate audit reporting.

Strategic Initiatives

4. Service Delivery and Design

In this, the first year of the Board's new three-year strategic plan, the categories of Value-Added Services and Responsiveness are combined into the single category of Service Design and Delivery.

The Board is determined to identify, assess and, where appropriate, implement opportunities that support their fiduciary obligations to Plan members.

The Board recognizes the importance of ensuring that plan design and delivery provide enough choice to meet plan member needs and are responsive to human resources policies of employers.

The Board is committed to ensuring that Plan members have adequate access to and use the Plan's services by putting more tools and information within their reach.

The previous pension administration system was limited in its ability to accommodate changes such as the addition of new services. In 2004, the Board launched PEPP *Access* to replace the existing pension administration system.

The first phase of PEPP *Access*, completed in 2005, was the conversion of the system to express account balances as a number of units. The next phase of PEPP *Access* included offering a variable pension benefit option for retiring members *(VP Benefit)*; as well as online web-based tools allowing members to access current balances, complete their own transfers between funds and conduct retirement planning.

The final phase of PEPP *Access* is the introduction of expanded investment choice for PEPP members.

These initiatives are intended to meet the Board's objectives of improving communications and service delivery.

Communication to members and employers supporting these three initiatives has included employer bulletins, creation of an employer administration guide, newsletters and a *VP Benefit* brochure. Information on the website was reviewed and updated.

Strategic Initiatives

Service Design and Delivery Activities

Activities planned for 2006 – 2007

- Develop methods and measures for "take-up" rate of new and existing services being offered under the Plan. These services include:
  - variable pension benefit
  - retirement planning tools
  - investment choice, and
  - return of funds to the Plan by former members.
- Monitor and report attendance at Plan member information sessions.
- Develop method(s) for collecting Plan member feedback on selected service events, and information and decision-making tools.
- Introduce Investment Choice.

Activities accomplished in 2006 – 2007

- Online web-based tools

  The focus of the Value-Added services plan is the provision of online services to support retirement planning tools and investment information.

  After comprehensive testing and following staff training, the retirement planning tool project was ready for introduction to members in November 2006. Expectation of a high volume of usage for *PEPP Access* member web created additional work with the software developer to improve the performance of *PEPP Access* member web. This prevented online services launching in 2006.

- Additional Investment Choices

  Survey and focus groups showed that members wanted to be able to invest their contributions in more than the existing two funds. As a result, the Board decided to add additional investment choices to the Plan.

  Plan members will have seven investment choices: PEPP Steps Fund, Conservative Fund, Moderate Fund, Balanced Fund, Growth Fund, Accelerated Growth Fund and Short-term Bond Fund.

  During the year under review, the Board approved:

  - A resolution to create additional investment funds.
  - Target asset allocations for the investments within each investment option.
  - Fund names for additional investment options.
  - A SIP&G for Investment Choice.

  51 Investment Choice presentations were made in the last quarter of 2006-2007. The presentations were designed to:

  - introduce the new funds;
  - explain the responsibility of the member; and
  - provide information on risk, return and volatility.

  At the presentations, members received:

  - An Information Summary document that details each of the new investment funds, and
  - A PEPP Member Investor Profile to help measure risk tolerance and identify an investment style.

- In 2006-2007, PEBA facilitated 29 Shooting for the Green presentations (1-day sessions on retirement planning).

- Variable Pension (VP) Benefit

  The *VP Benefit was* implemented in May, 2006. During the year, there were more than 271 enrolments and over $76 million in assets in the *VP Benefit*.

  The *VP Benefit* is a major Board initiative of pay pension benefits from the Fund. It offers

control of the annual income a member receives and a choice from the available PEPP investment funds which are held in the Plan. The *VP Benefit* is available to retiring and former members and is modeled on the prescribed Registered Retirement Income Fund (pRRIF).

Activities planned for 2007 – 2008

- Implement methods and measures for "take-up" rate of new and existing services being offered under the Plan.
- Commence comparisons of developed measures for "take-up" rate of new and existing services being offered under the Plan.
- Continue to monitor and report attendance at Plan member information sessions and establish benchmarks and goals for future years.
- Collect Plan member feedback on selected service events and information and decision-making tools.
- Implement Investment Choice.

Risk Management

The Board is responsible for identifying risks that could negatively affect the operation of the pension plan, Plan members and other stakeholders. The Board evaluates the risks to which the Plan is exposed and ensures appropriate strategies are in place to manage these risks.

The Board annually conducts a risk assessment review that:

- Reviews the risk management performance for the previous year and progress made with respect to annual goals;
- Identifies and assesses the impact and probability of key plan risks; and
- Establishes risk management strategies for the current year and identifies specific goals for the year.

The outcomes of this review are included as necessary in revisions to the Board's risk management processes.

The Board has identified the following potential risks that could adversely affect the operation of the Plan:

- Inadequate performance of assets and excessive costs and expenses;
- Inadequate performance of service providers and service provider failures;
- Non-compliance with legislative requirements and failure to meet fiduciary obligations;
- Plan members don't understand the role of the Plan in attaining their retirement objectives and members/employers are unaware of their rights and obligations; and
- Failure to meet Plan members and participating employers needs.

The Board has developed and implemented these strategies to manage these risks:

- Implemented a SIP&G that outlines the Board's investment beliefs and provides for risk management through diversification of asset classes, capital markets and investment managers.

  The SIP&G defines the benchmark to which investment performance is measured. The Board annually reviews the SIP&G.

  The Board communicates investment performance.

  Independent monitoring is carried out by:
  - Hewitt Associates;
  - RBC Dexia Investor Services; and
  - Custodians of Pooled Funds used by the Board.
- The Board ensures initiatives and Plan-related activities are adequately funded through its budgeting process.
- The Board receives a report comparing the administrative costs for public sector pension plans, including other public sector defined contribution pension plans annually.
- The Board reviews the performance standards for the Board's administrator, investment consultant, investment managers and custodian on a quarterly basis.
- There are two levels of audit:
  - The Board retains MNP to conduct an audit of the Plan.
  - The Provincial Auditor reports to the Legislative Assembly regarding the audit of the Plan.
- The Board has an Acquisition of Service policy that details how the Board is to retain service providers.
- Service providers are to have a disaster recovery plan.
- The Board's administrator reviews and reports compliance with legislative requirements annually.
- The Board's Periodic Checklist provides a report of whether or not an activity was carried out.

Risk Management

The Periodic Checklist is a list of major items identified by the Board that are necessary for the administration of a pension plan. The checklist is the verification that an activity has been carried out.

The completed Periodic Checklist is provided to the Board on a semi-annual basis.

- Board members are required to review and sign the Board's Code of Conduct and Conflict of Interest Procedures at least annually.
- The Board has outlined the education requirements of Board members to assist them in executing their fiduciary and governance duties.
- The Board formally reviews its Business Plan on a periodic basis.
- The Board regularly consults with legal counsel and outside advisors regarding issues it is deliberating.
- The Board retains service providers who are experts in the responsibilities to which they are assigned with respect to the Plan.
- The Board reviews the Strategic Communications Plan which provides the framework for how the Board will communicate with Plan members and participating employers.
- PEBA has staff providing retirement information seminars and individual information for Plan members.
- Information tools include: member and employer seminars, employer bulletins and guides, website information and written materials.
- The Board consults with Plan members and participating employers on a regular basis to determine needs.

Risk Management Activities

Activities planned for 2006 – 2007

- The Board is introducing additional investment choices for members of the Plan. Progress on introducing this initiative will continue through 2006-2007.
- The Board will be reviewing alternative methods of obtaining an independent evaluation of the services PEBA is providing to the Board.
- The Board will continue to receive updates with respect to the Plan's compliance with all legislative and common-law requirements on a semi-annual basis. Implementation of the new strategic business plan will commence.
- The Board will continue to follow its strategic communications plan in 2006-2007 and will obtain a third party evaluation of its communications activities.
- Online retirement planning tools will be made available to Plan members. Work on the introduction of additional investment choices will continue in 2006-2007.

Activities accomplished in 2006 – 2007

- The Board received quarterly reports from the custodian and its investment consultant regarding investment manager compliance with its SIP&G.

  The Board approved amendments to the SIP&G for the Balanced Fund. The amendments strengthen provisions regarding split ratings, downgrade of credit quality and manager notification.
- A communications strategy outlined delivery of communication materials supporting the introduction of PEPP *Access* online services.
- A communication strategy for Investment Choice was presented to the Board. The strategy included development of information for members (in print and online) and through presentations.

Risk Management

- Member presentations on Investment Choice were delivered. The presentations outline the investment choices available, the members' role and responsibility for making choices that facilitate their retirement goals and the responsibility of members to obtain investment advice on retirement planning from a qualified financial planner. This information was available on the PEPP website.
- Detailed fund fact sheets for the actual and proposed new funds were published to the website.

- Independent evaluation of services
  - The Board's auditor, MNP audited PEBA's compliance with the performance measures in the Service Agreement between PEBA and the Board for the period August 1, 2005 to July 31, 2006.
  - The Board received quarterly performance information regarding PEBA. The overall performance rating against the standards set out in the contract from April 1, 2006 to March 31, 2007 was 92.1%.

- Plan's compliance
  - PEBA presented the Periodic Checklist for 2005-2006 for the Plan and the Interim Period Checklist for the first six months of 2006-2007 to the Board.

- Strategic communications plan

  In 2006, PEBA contracted with Watson Wyatt Worldwide on two phases of a communication audit project. The first phase was to conduct a third party evaluation of PEPP progress on executing the communication strategy.

  This first phase evaluated PEPP communication against three criteria including: stated PEPP communication objectives, effective communication principles, and compliance with *The Public Employees Pension Plan Act* and *Regulations* and the Guidelines for Capital Accumulation Plans.

  The evaluation showed good progress on achieving objectives. Communications include comprehensive detail on how the Plan works. That detail is easy to understand; the information is widely available. Creation of a PEBA Style Guide that was posted to the intranet promoted excellent writing. There is careful consideration of the needs of the audience.

  While good progress was demonstrated, the evaluation found there is still work to do to improve communication effectiveness. In 2007-2008 PEBA will work to address recommendations coming from the audit.

  In the second phase of the audit, Watson Wyatt will assist in developing methods and procedures for collection of Plan member feedback on communications delivery activities, selected service events and information and decision-making tools.

- In 2006-2007, PEBA facilitated 29 Shooting for the Green presentations (1-day sessions on retirement planning).

- Annual investment performance was communicated through the Board's annual report, member statements and *Pension Perspectives*.

- Month-to-date, year-to-date and historical rates of return were provided on the PEPP website.

- The Board received the quarterly performance reviews of the Balanced Fund.

- The performance review for the Short-term Bond Fund was conducted for the six-month periods ending March 31, 2006 and September 30, 2006.

- The Board received a report comparing the administrative costs for pension plans, including other defined contribution plans.

Risk Management

- Additional investment choice
  - The Board approved the SIP&G for additional investment funds.
  - *Fund Fact Sheets* were published to the website.
- Performance reviews of Hewitt Associates, RBC Dexia Investor Services and the Plan's auditor, MNP, were provided to the Board.
- The Board received quarterly reports from its investment consultant regarding investment manager performance.
- The Plan's auditor, MNP, working with the Provincial Auditor, formed the following audit opinions for the year ended March 31, 2006:
  - PEPP financial statements are reliable;
  - PEPP had adequate rules and procedures to safeguard public resources and ensure compliance with authorities except as reported in the Provincial Auditor's 2006 Report (Volume 3 Chapter 15 - Finance); and
  - PEPP complied with authorities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing activities.
- The Provincial Auditor reviewed the format of the 2005-2006 Annual Report in relation to Canadian Comprehensive Auditing Foundation (CCAF) standards.
- The Board approved the audit plan presented by MNP for the March 31, 2007 year end.
- All services acquired by the Board were acquired in accordance with its Acquisition of Services Policy.
- PEBA developed its Business Continuance Plan (BCP).
  - PEBA provided a BCP to the Board.
  - The Board has now received written confirmation from all their service providers that a disaster recovery plan is in place.
- The Board adopted amendments to the Board's Code of Conduct and Conflict of Interest Procedures and Charter of Expectations with regard to Board member compliance with the law.
- The Board received a report from Hewitt Associates regarding the adequacy and completeness of the information it receives. Hewitt indicated that the Board is receiving appropriate information.
- The Board reviewed progress to date on the Strategic Initiatives and Implementation Plan activities for the 2006-2007 Plan year.
- Updates were provided through the *Pension Perspectives* newsletter throughout 2006 regarding the implementation of *PEPP Access* member web and *Retire@Ease* tools.
- Monthly information bulletins were sent to employers.

  During the year, these bulletins summarized activities supporting the introduction of the PEPP *Access* member web and *Retire@Ease*, informed employers about plans for the comprehensive communications to be provided for Investment Choice and addressed the employer role in administration especially in member enrolment and termination.
- PEPP Member booklets were printed and distributed to employers in April 2006.
- PEPP Lunch and Learn presentations were provided to employers to promote the Employer Web, *VP Benefit* and Investment Choice.

  PEBA met with participating employers to discuss:
  - How the Plan has changed over the years; and
  - New services to the Plan (specifically with respect to) variable benefit, retirement tools and investment choice.

Risk Management

- The *VP Benefit* and small benefits amendments to *The Public Employees Pension Plan Regulations* were filed with the Superintendent of Pensions and the Canada Revenue Agency within prescribed timelines.
- Quarterly 2006 Pension Adjustment Reversals were submitted to Canada Revenue Agency (CRA) within the prescribed deadline.
- The Annual Information Return for the 2006-2007 fiscal year was filed with the CRA and the Superintendent of Pensions within the prescribed deadline.

Activities planned for 2007 – 2008

- The Board will continue to move forward with the implementation of additional investment options for members of the Plan.
- Amendments to the Plan's SIP&G will be implemented when the new investment options are available to members in late 2007.
- The Board will continue to assess new investment strategies with respect to how these strategies fit with the Plan's investment objectives.
- The development of a framework and reporting mechanisms for the evaluation of key plan activities will commence in the summer and fall of 2007.
- Periodic evaluation by the Board's administrator of the performance of the investment consultant and custodian.
- The Board's auditor, MNP, will audit PEBA compliance with the performance measures in the Service Agreement between the Board and PEBA.
- The completed Periodic Checklist will be provided to the Board on a semi-annual basis.
- Third party review of CAP guidelines compliance.
- The Board will continue implementation of its revised Business Plan in 2007-2008, including:
  - The continued development of decision-making tools and making these available to the membership;
  - Conducting member information sessions in accordance with goals established in the annual budgeting process;
  - Implementing methods and procedures for collecting Plan member feedback on communications activities; and
  - The need for obtaining third-party assistance in the review and assessment of member awareness of the Plan's governance structure.
- *Retire@Ease* and PEPP *Access* member web will be made available to members in May 2007.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

The Public Employees Pension Board is comprised of a Chairperson selected through a formal recruitment process with four members representing employees and four members representing employers. The Pension Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements, which follow, have been prepared by management in conformity with accounting principles generally accepted in Canada and have been approved by the Pension Board. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The financial statements were examined by Meyers Norris Penny. Their report follows.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kathy Deck
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
May 10, 2007

PUBLIC EMPLOYEES PENSION BOARD

PUBLIC EMPLOYEES PENSION PLAN

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

AUDITORS' REPORT

MEYERS NORRIS PENNY LLP

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Public Employees Pension Plan as at March 31, 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Public Employees Pension Plan as at March 31, 2007 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Regina, Saskatchewan
May 10, 2007

Chartered Accountants

PUBLIC EMPLOYEES PENSION PLAN **STATEMENT 1**
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT MARCH 31

	(thousands of dollars) 2007			2006
	Balanced Fund	Short-Term Bond Fund	Total	Total
ASSETS				
Investments (Note 3)				
Short-term	$ 45,060	$ 741	$ 45,801	$ 28,958
Bonds and debentures	449,232	54,670	503,902	460,876
Equities	1,470,559	-	1,470,559	1,377,426
Pooled funds	1,947,854	-	1,947,854	1,640,997
Mortgages	748	-	748	789
Real estate	244,581	-	244,581	194,446
	4,158,034	55,411	4,213,445	3,703,492
Receivables				
Contributions receivable – employees	3,441	30	3,471	1,678
Contributions receivable – employers	3,294	32	3,326	1,804
Accrued investment income	12,496	543	13,039	11,734
Inter-fund receivables	-	-	-	4
	19,231	605	19,836	15,220
Cash	51,655	-	51,655	96,430
Due from General Revenue Fund (Note 6)	3,230	-	3,230	2,645
Total assets	4,232,150	56,016	4,288,166	3,817,787
LIABILITIES				
Bank indebtedness	-	77	77	626
Administrative expenses payable	3,158	75	3,233	1,962
Refunds, transfers and other payables	1,642	2,592	4,234	2,064
Inter-fund payables	-	-	-	4
Total liabilities	4,800	2,744	7,544	4,656
NET ASSETS AVAILABLE FOR BENEFITS	$4,227,350	$53,272	$4,280,622	$3,813,131

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES PENSION PLAN **STATEMENT 2**
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED MARCH 31

	(thousands of dollars) 2007			2006
	Balanced Fund	Short-Term Bond Fund	Total	Total
INCREASE IN ASSETS				
Investment income				
Interest	$ 20,005	$ 2,357	$ 22,362	$ 25,275
Pooled funds	107,955	-	107,955	222,628
Dividends	35,115	-	35,115	27,150
Real estate	9,500	-	9,500	9,281
Other	597	8	605	626
	173,172	2,365	175,537	284,960
Increase (decrease) in market value of Investments	275,805	(248)	275,557	187,146
Contributions				
Employees	82,377	1,157	83,534	77,747
Employers	78,222	659	78,881	73,234
Inter-fund transfers	26,887	45,188	72,075	37,749
External transfers in	3,813	30	3,843	257
	191,299	47,034	238,333	188,987
Total increase in assets	640,276	49,151	689,427	661,093
DECREASE IN ASSETS				
Transfers, refunds and benefits (Note 5)	116,981	11,951	128,932	120,614
Transfer to Saskatchewan Pension Annuity Fund	5,135	1,258	6,393	15,836
Inter-fund transfers	45,188	26,887	72,075	37,751
Administrative expenses (Note 7)	14,404	132	14,536	10,456
Total decrease in assets	181,708	40,228	221,936	184,657
Increase in net assets	458,568	8,923	467,491	476,436
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	3,768,782	44,349	3,813,131	3,336,695
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$4,227,350	$53,272	$4,280,622	$3,813,131

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

1. Description of Plan

The following description of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the Plan text.

a) General

The *Public Employees Pension Plan Act* (the Act) is the legislative authority for the Public Employees Pension Plan (the Plan), which is a defined contribution plan that covers the employees of a number of government entities. Effective September 1, 2002, the Plan also covers the Members of the Legislative Assembly.

The Act established the Plan to accumulate all contributions and earnings for plan members. The Plan consists of two funds: the Balanced Fund and the Short-Term Bond Fund.

The Balanced Fund receives and holds, in trust for members, contributions from the members and employers (participants) and investment income derived from the Fund's investments.

The Balanced Fund holds bonds, equities, real estate, mortgages, pooled funds, short-term investments and derivative financial instruments. The Balanced Fund's mandate is to provide long-term capital appreciation for members.

The Short-Term Bond Fund receives and holds, in trust for members, contributions from the members and employers as well as investment income derived from the Fund's investments.

The Short-Term Bond Fund is available to all members and holds low risk mid-term income investments and is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the Short-Term Bond Fund is at the discretion of the member.

The Plan uses a unitized method of plan participation whereby each member has a certain number of units of ownership in the net assets of the Plan. Investment income including changes in the market value of the investments and expenses is reflected in the market value of the net asset value per unit of participation. The total available to a member upon termination or retirement is equal to the particular member's account balance at that date, subject to certain vesting and other specific rules governing the Plan.

The Plan introduced a Variable Pension Benefit option (VPB) in May 2006 whereby retired members could elect to withdraw all or some of their pension funds either through lump-sum withdrawals or scheduled monthly payments. Members who participate in the VPB may choose to invest in any of the funds which are offered by the Plan.

b) Administration

The Act established the Public Employees Pension Board (Pension Board) to administer the Plan. The Pension Board is comprised of nine members appointed by Cabinet. The Public Employees Benefits Agency provides day-to-day administration.

c) **Retirement**

Members may retire as early as age 50, or after 35 years of service regardless of age.

Upon retirement an employee may purchase an annuity from the Saskatchewan Pension Annuity Fund (Annuity Fund) or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 69, be transferred to a Locked-in Retirement Account or, after age 50, to a Locked-in Retirement Income Fund, Life Income Fund or a Life Annuity from the Annuity Fund, or be transferred to another pension plan which has a reciprocal agreement with the Plan. Beginning in May 2006, a member may also choose to receive a variable pension benefit from the Public Employees Pension Plan.

Members who purchase their annuities from the Annuity Fund have their accumulated balance in the Plan at the date of retirement transferred to the Annuity Fund. Members who elect to receive a variable pension benefit retain their account balances within the Public Employees Pension Plan. A variable pension benefit is a periodic payment made from a registered plan to a member of that plan and which must conform to certain minimum payment requirements but not to any maximum payment requirements.

d) **Completeness of Contributions**

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

Investments

Investments in bonds and equities are recorded at market values which are determined by reference to closing year-end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year-end bid and ask prices. Transactions in bonds and equities are recorded as of the trade date.

Short-term investments are recorded at cost, which approximates market value.

Real estate is recorded at market value as estimated by independent appraisals.

Mortgages are recorded at market value calculated by discounting the present value of all income streams accruing to the mortgage. The discount rate applied to these income streams reflects the current market rate for comparable mortgages of a comparable term.

Pooled funds are recorded at market value based on the quoted market price of the underlying investments normally the current bid price.

Derivative financial instruments are financial contracts, the value of which is derived from changes in underlying assets or indices as measured at the closing date of the period being reported. Derivatives transactions are conducted in the over-the-counter market directly between two Derivative financial instruments are financial contracts, the value of which is derived from changes in underlying assets or indices as measured at the closing date of the period being reported. Derivatives transactions are conducted in the over-the-counter market directly between two counterparties or on regulated exchange markets. All derivative financial instruments are recorded at market value using market prices. Where quoted market values are not readily available, appropriate valuation techniques are used to determine market value.

The change in market value of investments during the year is reflected on the financial statements as a current period change in the market value of investments.

Fair value approximates market value of investments.

Foreign Currency Translation

Monetary items denominated in foreign currency are translated at the exchange rate in effect at year-end. Investments, revenue and expense items are translated at the exchange rate in effect at the transaction date. Gains and losses arising on translation at year-end are included in the current period change in market value of the investments.

3. Investments

The Plan is a defined contribution plan whereby members bear the investment risk and reap the rewards of actual investment performance as there is no guarantee of pension benefits. The Plan's Balanced Fund is designed for members whose primary objective is capital growth. The Plan's Short-Term Bond Fund is designed for members who wish to reduce their equity exposure as retirement approaches in order to preserve capital. These members have a low risk tolerance. As the primary objective of the Short-Term Bond Fund is capital preservation, its orientation is towards fixed income investments with a term to maturity of five years or less.

The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as equities, pooled funds, real estate, money market securities, and bonds.

The Plan uses derivative financial instruments, when appropriate, to manage its asset mix and to assist in the management of exposure to financial risks, including interest rate, foreign exchange and market risks without directly purchasing or selling the underlying assets or currencies. In certain circumstances, derivatives are also used to increase returns or to replicate investments synthetically.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's net assets and interest income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets. Interest rate risk is managed by investing in fixed income investments with varying duration.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

b) **Credit Risk**

Credit risk arises from the potential for counterparties to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Standard & Poors Bond Rating Service and/or Moody's Bond Rating Service. Fitch Ratings are used for foreign issuers.
be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Standard & Poors Bond Rating Service and/or Moody's Bond Rating Service. Fitch Ratings are used for foreign issuers.

c) **Foreign Currency Risk**

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the value of investments. The Plan manages its foreign currency risk by limiting the investment in foreign funds and also by the use of derivative financial instruments.

d) **Market Risk**

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Board's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Objectives.

e) **Real Estate Risk**

Risk in the real estate portfolio is managed through diversification across real estate types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size.

Short-term Investments

Short-term investments are comprised of treasury bills, notes and commercial paper with effective rates of 4.20% to 5.05% in the Balanced Fund (2006 – 3.70% to 4.80%), and 4.20% in the Short-Term Bond Fund (2006 - 3.80%) and an average remaining term to maturity of 42 days in the Balanced Fund (2006 - 37 days) and 82 days in the Short-Term Bond Fund (2006 - 76 days).

The Plan's investment policy states that investments must meet a minimum investment standard of "R1" or equivalent rating by a recognized credit rating service.

Other than the Government of Canada, no single issue represents more than 45.18% (2006 – 31.51%) of the market value of the short-term investment portfolio.

Bonds and Debentures

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 15% of the market value of the total bond portfolio may be invested in BBB rated bonds. At March 31, 2007, the Balanced Fund held 0.32%

(2006 - 0.12%) of its portfolio in BBB bonds. At March 31, 2007, the Short-Term Bond Fund held 0.00% (2006 – 0.00%) of its portfolio in BBB bonds.

BALANCED FUND
(in thousands of dollars)

Years to Maturity	2007 Federal	Provincial	Corporate	Municipal	Total Market Value	Weighted Average Yield to Maturity at Market	Coupon Rate	2006 Total Market Value	Weighted Average Yield to Maturity at Market	Coupon Rate
Under 5	81,838	11,187	38,383	-	131,408	4.42%	3.75-7.00	164,815	4.39%	2.75-9.00
5 – 10	100,255	22,092	28,134	4,152	154,633	4.33%	3.75-8.50	58,515	4.83%	3.75-6.75
Over 10	54,055	75,690	31,622	1,824	163,191	4.59%	4.45-8.75	193,049	4.71%	4.00-8.75
Market Value	236,148	108,969	98,139	5,976	449,232			416,379		

SHORT-TERM BOND FUND
(in thousands of dollars)

Maturity	2007 Federal	Provincial	Corporate	Total Market Value	Weighted Average Yield to Maturity at Market	Coupon Rate	2006 Total Market Value	Weighted Average Yield to Maturity at Market	Coupon Rate
Under 5	33,981	6,864	10,200	51,045	4.65%	3.75-6.50	44,497	4.72%	2.75-6.38
5 – 10	-	-	3,625	3,625	4.50%	3.75-5.65	-	-	-
Market Value	33,981	6,864	13,825	54,670			44,497		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the book value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation. As at March 31, 2007, the market value of the Plan's foreign equity investments in Canadian dollars amounted to $754 Million (2006 - $677 Million) and included currencies from regions around the world including Australia, Croatia, Europe, Hong Kong, Israel, Japan, South Korea, Mexico, Norway, Sweden, Switzerland, United Kingdom, and United States. Foreign equities represent 51.27% (2006 – 49.18%) of the market value of the equity portfolio.

Dividends are generally declared on an annual basis. The Plan's equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 2.83% (2006 – 2.57%).

The Plan has entered into foreign exchange forwards contracts to hedge some of its foreign currency exposure in equities. Foreign exchange forwards contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future. Contracts are traded over the counter. Counterparties to forward contracts must have credit ratings of 'A' or better.

The following summarizes the Plan's foreign exchange forwards contracts at March 31:

FOREIGN EXCHANGE FORWARD CONTRACTS

(in thousands of dollars)

		2007			2006		
# of Contracts	Currency	Market Value	Notional Value	Gain (Loss)	Market Value	Notional Value	Gain (Loss)
66	Canadian Dollar	146,638	146,638	-	80,769	80,769	-
30	European Euro	(49,467)	(48,345)	(1,122)	(42,670)	(43,415)	745
3	Hong Kong Dollar	(1,216)	(1,210)	(6)	(759)	(760)	1
7	Israeli Shekel	(2,512)	(2,300)	(212)	-	-	-
36	Japanese Yen	(20,150)	(20,613)	463	(5,064)	(5,670)	606
23	Mexican Nevo Peso	(8,580)	(8,330)	(250)	(3,890)	(3,930)	40
6	Norwegian Kroner	(1,402)	(1,340)	(62)	-	-	-
35	Pound Sterling	(28,670)	(27,151)	(1,519)	(10,159)	(10,550)	391
33	South Korean Won	(17,035)	(16,606)	(429)	(6,333)	(6,106)	(227)
31	Swiss Franc	(15,300)	(14,939)	(361)	(9,861)	(10,305)	444
12	US Dollar	(5,970)	(5,804)	(166)	-	-	-
		(3,664)	**-**	**(3,664)**	**2,033**	**33**	**2,000**

* Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows, and is therefore not recorded in the financial statements. Settlement dates range from Apr 02/07 to Mar 28/08.

30.83% (2006 – 31.30%) of the market value of the Plan's investment portfolio was held in foreign equities including foreign pooled funds.

Pooled Funds

The Plan limits its investments in synthetic pooled funds to 7% of the market value of its investment portfolio for the Newcastle Derivative Enhanced Mid Cap Fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

The Plan's pooled funds are comprised of:

	Units Held (in thousands)		% of Total Units Outstanding		Market Value (in thousands)	
	2007	2006	2007	2006	2007	2006
Canadian Equity						
TD Emerald Canadian Market Capped Pooled Fund Trust	132,015	113,306	52.00	42.42	$ 201,798	$ 181,142
Newcastle Derivative Enhanced Mid Cap Fund	2,299	2,064	100.00	100.00	237,212	217,106
Global Equity						
Greystone EAFE Growth Fund	15,070	13,848	19.78	17.28	197,585	165,969
Fixed Income Funds						
TD Emerald Canadian Bond Pooled Fund Trust	90,676	76,986	19.65	15.85	944,810	806,221
Other Canadian						
TD Emerald Pooled U.S. Fund	15,712	12,584	20.07	19.54	366,449	270,559
					$1,947,854	$1,640,997

Northwater Capital Management Inc. (Northwater) manages Newcastle Derivative Enhanced Mid Cap Fund (Newcastle Fund) for the Plan. The Newcastle Fund at March 31, 2007 consists of Canadian money market securities of $82.6 million that support United States dollar S & P 400 index future contracts of $206.2 million purchase contracts and $206.2 million sell contracts, which expire June 2007. The Canadian money market securities also support a United States dollar S & P Total return swap agreement of $206.2 million, which expires April 20, 2007. The Newcastle Fund also consists of $153.6 million invested in market neutral hedge funds. The hedge funds use a variety of investment strategies.

To help manage currency risk in the Newcastle Fund, Northwater uses forward foreign currency contracts. At March 31, 2007, the Newcastle Fund had contracts to sell United States dollars with a notional value of $153.7 million that settle on April 13, 2007. The Plan recognized a gain at March 31, 2007 on these contracts totaling $1.9 million.

Mortgages

All mortgages are secured by Canadian commercial properties and have effective and stated interest rates of 5.50% (2006 – 5.50%) with an average remaining term of 1.42 years (2006 – 2.42 years). Principal and interest are receivable on a monthly basis.

Real Estate

Investments in real estate consist of Canadian commercial property.

Included in real estate are investments of $6,330,379 (2006 - $4,571,453) in SaskPen Properties Ltd. Income earned including change in market value from SaskPen Properties is $384,129 (2006 - $355,619). SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension plans in the Province of Saskatchewan. The Plan holds $17,035,748 in the Greystone Real Estate pooled fund. This represents 5.29% of the total outstanding units of this pooled fund.

4. Earnings Allocation to Members

Investment income plus the current year's allocation of the change in the market values of investments less administrative expenses was allocated monthly to the individual member's account balances in accordance with the provisions of the governing legislation up to August 12, 2005. The Plan unitized at that date and income allocations were no longer made. Instead, all members received units of participation in the Funds of the Plan based on their account balances at August 12, 2005. Investment income including changes in market value of investments and expenses are reflected in the net asset value per unit. The net annual rate of return for the year ended March 31, 2007 was 11.63% for the Balanced Fund (2006 – 13.76%) and 4.51% for the Short-Term Bond Fund (2006 – 1.75%).

5. Transfers, Refunds and Benefits

	(in thousands of dollars) 2007	2006
Termination refunds	$ 2,138	$ 981
Death and lump sum benefits	6,248	9,036
Variable pension benefits	8,584	-
Marital transfers	2,291	3,894
Transfers to registered retirement savings plans and to private companies providing annuities	108,120	101,674
Transfers out	1,551	5,029
	$128,932	$120,614

6. Due from General Revenue Fund

The Plan's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's thirty day borrowing rate and the Plan's average bank account balance. The Government's average 30 day borrowing rate in 2007 was 4.15% (2006 - 2.82%).

7. Administration Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees, which are paid directly.

(in thousands of dollars)

	2007		2006	
	Budget	Actual	Budget	Actual
	(unaudited)		(unaudited)	
Administration costs	$ 5,192	$ 4,409	$ 4,205	$ 3,053
Custodial fees	600	554	583	442
Investment management fees	7,580	9,573	6,543	6,961
	$13,372	$14,536	$11,331	$10,456

8. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government. Also, the Plan is related to non-crown enterprises that the Government jointly owns or significantly influences. Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan holds $4,390,134 (2006 - $10,075,892) Province of Saskatchewan Bonds and Debentures with a yield of 5.60% (2006 - 5.03%). Investment income including change in market value of $406,436 (2006 - $539,559) was recorded from the Province of Saskatchewan Bonds and Debentures.

The Plan has an accounts payable balance as at March 31, 2007 of $361,659 (2006 - $233,724) due to the Public Employees Benefits Agency Revolving Fund.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled at agreed upon exchange rates.

9. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the Pension Board. The Pension Board reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over four year rolling periods. The primary long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Balanced Fund's investment performance:

Rolling Four Year Average Annual Return Fund

	2007	2006
Fund's actual rate of return (a)	14.70%	8.20%
Target rate of return (b)	14.40%	7.80%

(a) The Fund's actual rate of return is before deducting investment expenses.

(b) The Fund's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indices such as the

S&P/TSX Capped Composite Index, Nesbitt Burns Blended Small Capitalization Index, Standard & Poor's 500 U.S. Stock Index, Standard and Poor's 400 Mid Capitalization U.S. Stock Index, Morgan Stanley, Europe, Australia and Far East Index, Scotia Capital Universe Bond Index, and Investment Property Databank Ltd. Return Index.

The following is a summary of the Short-Term Bond Fund's investment performance:

Rolling Four Year Average Annual Return Fund

	2007	2006
Fund's actual rate of return (a)	4.40%	5.00%
Target rate of return (b)	4.30%	4.90%

(a) The Fund's actual rate of return is before deducting investment expenses.
(b) The Fund's target rate of return for its investment portfolio is based on the "All Governments" portion of the Scotia Capital Markets Short-term Bond Index.

10. Fair Value

For the following financial assets and liabilities the carrying amount approximates fair value due to their immediate or short-term maturity:

a) contributions receivable
b) accrued investment income
c) due from General Revenue Fund
d) inter-fund receivables
e) administrative expenses payable
f) refunds, transfers and other payables, and
g) inter-fund payables
h) cash
i) bank indebtedness

The fair value of investments approximates the carrying value, the determination of which is disclosed in notes 2 and 3.

11. Value of Members' Accounts

In accordance with Canadian generally accepted accounting principles, various accruals are included in the Statement of Net Assets Available for Benefits. However, only transactions that were processed and unitized during the fiscal year ending March 31, 2007 are reflected in the unitized account balances of members at year-end. The total value of members' unitized accounts at March 31, 2007 was $4,268 Million (2006 – $3,800 Million).

Unit Pricing

Investment income including changes in the market value of the investments (investment performance) and expenses is reflected in the market value of the net asset value per unit of participation and is determined daily. Investment and administration expenses relating to each fund are accrued to or paid from the fund prior to establishing its daily unit price. The Funds' unit price will increase or decrease according to the Funds' investment performance after expenses.

Fund transactions are processed using forward pricing. This means they are processed at the next unit price set after the Plan receives contributions or requests for transfers, refunds and benefits.

Fund transactions may be suspended temporarily at Management's discretion where an accurate unit price for a fund cannot be determined due to the unavailability of reliable market pricing or other asset valuations.

On August 12, 2005, members' account balances were converted into Balanced Fund and Short-Term Bond Fund units at an initial unit price of $100.0000. Valuations were performed weekly, on Fridays, up to March 31, 2006. On April 1, 2006 the Plan switched to daily valuations performed on each business day. On March 31, 2007, the Balanced Fund's unit price was $119.7881 (2006 - $107.3042) and there were 35,180,582 units outstanding (2006 – 34,998,113). On March 31, 2007 the Short-Term Bond Fund's price was $104.5868 (2006 - $100.0735) and there were 512,665 units outstanding (2006 – 443,731).